

STATE OF DELAWARE
OFFICE OF
AUDITOR OF ACCOUNTS

**PENCADER BUSINESS AND
FINANCE CHARTER
HIGH SCHOOL
STUDENT ACCOUNTING AND
ENROLLMENT
AGREED-UPON PROCEDURES ENGAGEMENT
SEPTEMBER 30, 2007**

FIELDWORK END DATE: MARCH 10, 2008

R. THOMAS WAGNER, JR., CFE, CGFM, CICA
AUDITOR OF ACCOUNTS

Townsend Building, Suite 1
401 Federal Street
Dover, DE 19901
TELEPHONE 302-739-4241
FACSIMILE 302-739-2723

www.state.de.us/auditor/index.htm

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PHONE: (302) 739-4241
FAX: (302) 739-2723

**Independent Accountant's Report
on Applying Agreed-Upon Procedures**

The Honorable Valerie A. Woodruff
Secretary
Department of Education
Townsend Building, Suite 2
401 Federal Street
Dover, DE 19903-1402

Mr. Brad Catts
Director of Operations
Pencader Business & Finance Charter High School
170 Lukens Drive
New Castle, DE 19720

Dear Secretary Woodruff and Mr. Catts:

We have performed the procedures enumerated below, which were agreed to by the Department of Education (DOE) and Pencader Business and Finance Charter High School (the School), solely to assist the specified parties in evaluating the School's compliance with laws and regulations in regard to Student Accounting and Enrollment as of September 30, 2007. The School's management is responsible for the School's compliance with those requirements.

This agreed-upon procedures engagement was performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures were as follows:

1. Determine if the Charter School's policies and procedures for preparing, reviewing, and reporting the September 30th student count are adequate.
2. Determine if the Charter School properly reported enrollment figures to the DOE. Calculate the dollar impact of disallowed students, if applicable.
3. Select 10 percent (10%) or a minimum of five "Individualized Education Program" (IEP) files at the Charter School and verify that each file contains the required documentation in accordance with the DOE's Administrative Manual for Special Education Services. Calculate the dollar impact of disallowed services, if applicable.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the DOE and the School and is not intended to be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. This report, as required by statute, was provided to the Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, and Department of Finance.

R. Thomas Wagner, Jr., CFE, CGFM, CICA
Auditor of Accounts
Office of Auditor of Accounts

March 10, 2008

SCHEDULE OF FINDINGS

Procedure #2

Determine if the Charter School properly reported enrollment figures to the DOE. Calculate the dollar impact of disallowed students, if applicable.

Finding #1

Criteria

DOE's A Summary of Delaware Code and Department of Education Regulations for Student Accounting for the September 30 Enrollment and Unit Computation (dated August 2007), states, "Enrollment means attending school sometime during the last 10 student attendance days of September or having a legitimate reason for not attending and is expected to return prior to November 1. Supporting documentation must be on file indicating the reason for absence, the reason the student is expected to return, and an expected return date."

Condition

The School included one student in the September 30, 2007 student enrollment that was ineligible to be included in the count. The student was withdrawn after September 30, 2007, but was absent for more than 5 days during the period the count was taken without a legitimate reason for the absences.

Cause

The School did not properly determine the eligibility status for the student through its internal review process over enrollment accounting and reporting.

Effect

Without proper attention and care in following the DOE's regulations, the School could continue to over-report the number of students enrolled, which may result in over-funding from DOE. The disallowance of the student could result in a loss of .06 units which computes to \$3,170.

Recommendation

The School should review the DOE's regulations for Student Accounting and Enrollment Reporting and ensure the underlying documentation supports the number of eligible students reported for future periods.

Auditee Response

The School will review the DOE's regulations for Student Accounting and Enrollment Reporting as well as its own internal controls and ensure the underlying documentation supports the number of eligible students reported for future periods.

Procedure #3

Select 10 percent (10%) or a minimum of 5 "Individualized Education Program" (IEP) files at the Charter School and verify that each file contains the required documentation in accordance with the DOE's

SCHEDULE OF FINDINGS

Administrative Manual for Special Education Services. Calculate the dollar impact of disallowed students, if applicable.

Finding #2

Criteria

Title 14 Delaware Administrative Code 701 states, "students shall be reported for the level of special education service as defined by the current IEP."

Condition

The School incorrectly reported the classification of a special needs child on the DOE unit count forms. The student was classified as Other Health Impaired (OHI) when the IEP indicated the student had a Learning Disability (LD).

Cause

The School incorrectly classified one special education student's disability.

Effect

Due to the schools oversight, the misclassification of an IEP student could result in a potential loss of .04 of a unit, which equals \$2,114 in funding.

Recommendation

The School should ensure the disability category reported to DOE agrees to the students IEP by reviewing and updating IEP files on a regular basis.

Auditee Response

The School will review its internal controls to ensure IEP files are reviewed and updated on a regular basis ensuring the disability category reported to DOE agrees to the students IEP.

SCHEDULE OF PRIOR YEAR FINDINGS

The following schedule summarized the prior year findings and the status of the prior year findings.

Prior Year Finding	Recommendation	Status of Prior Year Finding
<p>The School does not have sufficient written internal policies and procedures governing the preparation, review, and reporting of the September 30th student count. The School had written policies and procedures, but they were lacking in the following areas:</p> <ul style="list-style-type: none"> • Timeframes for the submission of documentation. • Gathering and maintaining documentation that supports attendance and reported enrollment figures (medical excuses, transfer/entry/withdrawal forms, homebound, placement in an alternative education setting, engineering, etc.). • How the School ensures that required information is included on IEP's (necessary signatures, goals, benchmarks and objectives, etc.). • Record retention policy. 	<p>The School should develop and implement complete in-house written policies and procedures governing the preparation, review, and reporting of the September 30th student enrollment figures to the DOE. These policies and procedures should incorporate information such as:</p> <ul style="list-style-type: none"> • Timeframes for the submission of documentation. • Gathering and maintaining documentation that supports attendance and reported enrollment figures (medical excuses, transfer/entry/withdrawal forms, homebound, placement in an alternative education setting, engineering, etc.). • How the School ensures that required information is included on IEP's (necessary signatures, goals, benchmarks and objectives, etc.). • Record retention policy. 	<p>Implemented.</p>
<p>The School did not comply with the DOE within state transfer student procedures. The School did not have the required within state transfer documentation for two students that transferred in to the School during the official enrollment period.</p>	<p>The School should develop control procedures to ensure that all within state transfer student documentation is maintained on file.</p>	<p>Implemented.</p>

SCHEDULE OF PRIOR YEAR FINDINGS

<p>The School did not correctly obtain all the necessary signatures in completing IEP documentation. Based on our review of IEP documentation, correspondence and discussion with the DOE Exception Children and Early Childhood Education, IEP Review Team, the following was determined:</p> <p>In November 2006, the DOE Exception Children and Early Childhood Education, sent an IEP Review team to the School and determined that six IEP's did not contain all the necessary signatures.</p> <p>In December 2006, the Office of Auditor of Accounts (AOA) reviewed five IEP's and confirmed one didn't contain the signatures of the regular education or administrative designee. In February 2007, the IEP Review Team ultimately disallowed 3 of IEP's that they reviewed.</p> <p>At the time our audit was completed, the School's final funding had not yet been calculated. As a result of management's oversight, the incorrect completion of IEP documentation in conjunction with the incorrect classification of IEP (Finding #4) resulted in the loss of .125 funding units or \$10,915.</p>	<p>The School should put controls in place to ensure compliance with maintenance of IEP's, including obtaining the appropriate authorizing signatures.</p>	<p>Implemented.</p>
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SCHEDULE OF PRIOR YEAR FINDINGS

<p>The School incorrectly reported the classification of special needs children on their DOE unit count forms. The School incorrectly classified two special education student disabilities. One student was classified as Educable Mental Disability (EMD) when the IEP indicated Learning Deficient (LD). A second student was classified as Learning Deficient (LD) when the IEP indicated that the student was Other Health Impaired (OHI).</p> <p>At the time our audit was completed, the School's final funding had not yet been calculated. The misclassification of special needs children and the lack of signatures on IEP documentation (Finding #3) resulted in a loss of .125 funding units or \$10,915.</p>	<p>The School should implement control procedures to ensure accurate reporting in the future that students are classified in the correct Special Education category. Additionally, the School should review and update records for the correct disability category for the two students.</p>	<p>Not Implemented.</p>
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Status Key:

Implemented

The concern has been addressed by implementing the original or an alternate corrective action.

Not Implemented

The corrective action has not been initiated.

Partially Implemented

The corrective action has been initiated but is not complete and the auditor has reason to believe management fully intends to address the concern.

DISTRIBUTION OF REPORT

Copies of the School's Agreed-Upon Procedures Engagement have been distributed to the following public officials:

Executive Branch

The Honorable Ruth Ann Minner, Governor, State of Delaware
The Honorable Richard S. Cordrey, Secretary, Department of Finance
The Honorable Jennifer W. Davis, Director, Office of Management and Budget
The Honorable Valerie Woodruff, Secretary, Department of Education
Ms. Dorcell Spence, Associate Secretary, Finance and Administrative Services, Department of Education
Ms. Trisha Neely, Director, Division of Accounting, Department of Finance

Legislative Branch

The Honorable Russell T. Larson, Controller General, Office of Controller General

Other Elective Offices

The Honorable Joseph R. Biden III, Attorney General, Office of the Attorney General
The Honorable Jack Markell, Treasurer, State Treasurer's Office

Other

Brad Catts, Director of Operations, Pencader Business and Finance Charter High School